

Department for Energy and Mining

Financial report
for the year ended
30 June 2020



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To the Chief Executive Department for Energy and Mining

Opinion

I have audited the financial report of Department for Energy and Mining for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department for Energy and Mining as at 30 June 2020, its financial performance and its cash flows for year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- Notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2020
- a Statement of Administered Financial Position as at 30 June
- a Statement of Administered Cash Flows for the year ended 30 June 2020
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2020
- Notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Manager, Financial Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of Department for Energy and Mining. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of Department for Energy and Mining for the financial year ended 30 June 2020.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department for Energy and Mining's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

23 September 2020



Government
of South Australia

Department for
Energy and Mining

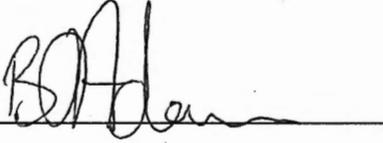
Certification of the financial statements

We certify that the:

- Financial statements of the Department for Energy and Mining:
 - are in accordance with the accounts and records of the department; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the department as at 30 June 2020 and the result of its operations and cash flows for the 2019-20 financial year.
- Internal controls employed by the department over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Paul Heikensay
Chief Executive Officer



Ben Adams
Manager Financial Services

18. September 2020

Office of the Chief Executive

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**Department for Energy and Mining
(DEM)**

Financial Statements

For the year ended 30 June 2020

Department for Energy and Mining
Certification of the Financial Statements
for the year ended 30 June 2020

We certify that the attached general purpose financial statements for the Department for Energy and Mining:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the department; and
- present a true and fair view of the financial position of the Department for Energy and Mining as at 30 June 2020 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Department for Energy and Mining for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Paul Heithersay
Chief Executive
18 September 2020



Ben Adams
Manager, Financial Services
18 September 2020

Department for Energy and Mining
Statement of Comprehensive Income
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Appropriation	2.1	89 951	110 202
Intra-government transfers	2.2	48 407	22 162
Fees and charges	2.3	24 899	23 289
Sales of goods and services	2.4	4 556	5 028
Interest	2.5	957	147
Commonwealth-sourced grants and funding	2.6	866	322
Resources received free of charge	2.7	381	395
Net gain from the disposal of property, plant and equipment	2.8	2	-
Other income	2.9	9 592	6 937
Total income		179 611	168 482
Expenses			
Grants and subsidies	4.1	82 350	43 524
Supplies and services	4.2	48 397	72 295
Employee benefits expenses	3.3	40 518	42 091
Depreciation and amortisation	4.3	9 244	5 431
Net loss from the disposal of property, plant and equipment	2.8	-	98
Borrowing costs	4.4	7	-
Other expenses	4.5	1 981	2 862
Cash returned to the Department of Treasury and Finance		-	69 534
Total expenses		182 497	235 835
Net result		(2 886)	(67 353)
Other comprehensive income			
Items that will not be reclassified to net result:			
Changes in property, plant and equipment asset revaluation surplus	5.2	3 226	-
Total comprehensive result		340	(67 353)

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<u>Current assets</u>			
Cash	6.1	9 927	5 771
Receivables	6.2	27 339	16 383
Total current assets		37 266	22 154
<u>Non-current assets</u>			
Property, plant and equipment	5.1	47 090	268 264
Intangible assets	5.4	1 903	2 433
Total non-current assets		48 993	270 697
Total assets		86 259	292 851
<u>Current liabilities</u>			
Payables	7.1	9 919	15 870
Employee benefits	3.4	4 870	4 751
Financial liabilities	7.2	220	-
Provisions	7.3	184	196
Other current liabilities	7.4	20 556	7 003
Total current liabilities		35 749	27 820
<u>Non-current liabilities</u>			
Payables	7.1	953	967
Employee benefits	3.4	10 281	10 551
Financial liabilities	7.2	212	-
Provisions	7.3	3 106	3 490
Total non-current liabilities		14 552	15 008
Total liabilities		50 301	42 828
Net assets		35 958	250 023
<u>Equity</u>			
Retained earnings		1 754	3 380
Asset Revaluation Surplus		3 226	-
Contributed capital		30 978	246 643
Total equity		35 958	250 023

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Changes in Equity
for the year ended 30 June 2020

	Retained earnings \$'000	Asset Revaluation Surplus \$'000	Contributed capital \$'000	Total equity \$'000
Balance at 1 July 2018	-	-	-	-
Net result for 2018-19	(67 353)	-	-	(67 353)
Total comprehensive result 2018-19	(67 353)	-	-	(67 353)
Contributed capital increases (decreases)	-	-	246 643	246 643
Net assets transferred as a result of an administrative restructure	70 733	-	-	70 733
Balance at 30 June 2019	3 380	-	246 643	250 023
Prior period adjustment	1 260	-	-	1 260
Adjusted balance at 1 July 2019	4 640	-	246 643	251 283
Net result for 2019-20	(2 886)	-	-	(2 886)
Gain on revaluation of property, plant and equipment	-	3 226	-	3 226
Total comprehensive result 2019-20	(2 886)	3 226	-	340
Net assets transferred by proclamation	-	-	(217 149)	(217 149)
Equity contribution received	-	-	1 484	1 484
Balance at 30 June 2020	1 754	3 226	30 978	35 958

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Cash Flows
for the year ended 30 June 2020

	2020	2019
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<u>Cash flows from operating activities</u>		
<i><u>Cash inflows</u></i>		
Appropriation	91 435	110 202
Intra-government transfers	48 407	22 162
Fees and charges	30 190	27 892
Receipts from Commonwealth-sourced grants	878	324
Royalties	22	-
Sales of goods and services	4 619	5 028
Interest received	957	147
Net GST recovered from ATO	11 059	32 242
Receipts of security deposits	12 391	235
Net receipts from paid parental leave scheme	46	33
Other receipts	5 816	5 004
Cash generated from operations	205 820	203 269
<i><u>Cash outflows</u></i>		
Employee benefit payments	(41 240)	(40 791)
Payments for supplies and services	(54 114)	(102 260)
Payments of security deposits	(55)	(1 641)
Payments of grants and subsidies	(92 209)	(47 991)
Loan payments	(9 957)	(11 147)
Payments for paid parental leave scheme	(54)	(25)
Cash returned to the Department of Treasury and Finance	(1,484)	(69 534)
Other payments	(810)	(797)
Cash (used in) operations	(199 923)	(274 186)
Net cash provided by operating activities	8.2 5 897	(70 917)
<u>Cash flows from investing activities</u>		
<i><u>Cash inflows</u></i>		
Proceeds from sale of property, plant and equipment and other assets	40	367
Cash generated from investing activities	40	367
<i><u>Cash outflows</u></i>		
Purchase of property, plant and equipment	(2 996)	(230 876)
Cash (used in) investing activities	(2 996)	(230 876)
Net cash (used in) investing activities	(2 956)	(230 509)

Department for Energy and Mining
Statement of Cash Flows
for the year ended 30 June 2020

Cash flows from financing activities

Cash outflows

Repayment of leases	(269)	-
Net cash (used in) financing activities	(269)	-

Cash inflows

Capital contributions from SA Government	1 484	246 643
Cash received from restructuring activities	-	60 554
Cash generated from financing activities	1 484	307 197

Net cash (used in) financing activities	1 215	307 197
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Net increase in cash	4 156	5 771
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Cash at the beginning of the period	5 771	-
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Cash at the end of the period	9 927	5 771
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6.1

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

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Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

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Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1. About the Department for Energy and Mining

The department is a not-for-profit government department of the State of South Australia established pursuant to the *Public Sector Act 2009* as an administrative unit acting on behalf of the Crown.

The department does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all of the controlled activities of the department.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

For the 2019-20 financial statements, the department adopted *AASB 15 – Revenue from Contracts with Customers*, *AASB 16 – Leases* and *AASB 1058 – Income of Not-for-Profit Entities*. Further information is provided in note 9.

The financial statements are prepared based on a 12-month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

1.2. Objectives and programs

The Department for Energy and Mining was established on 1 July 2018 to deliver affordable, reliable and secure energy supplies in a transitioning national energy market and to responsibly unlock the value and opportunities offered by South Australia's mineral and energy resources.

The department also delivers effective, efficient and transparent regulation for the energy and resources sectors while fostering responsible access and development of the State's mineral and energy endowment to support jobs growth and increased exports.

The department provides leadership in national energy market reforms that integrate energy and climate change policy in national frameworks for mineral and energy resources. The department supports South Australia's role as lead legislator for national energy regulation pursuant to the Australian Energy Market Agreement.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

Programs

The department has identified two broad programs that reflect the nature of the services provided to the South Australian community.

Mineral Resources and Energy

The purpose of this program is to responsibly regulate, manage and support the development of South Australia's mineral, extractive materials, petroleum and renewable energy assets, and to provide policy development, advocacy and advice to continually improve productivity, efficiency and environmental responsibility across the resources and energy sectors.

The program also supports the enforcement, compliance and promotion of technical and safety regulation of electrical and gas fitting equipment and electrical and gas fitting industry entities to ensure low levels of accidents and failures.

Water Industry Technical and Safety Regulation

The purpose of this program is to support the enforcement, compliance and promotion of technical and safety regulation of plumbing equipment and water industry entities to ensure low levels of accidents and failures.

The tables on the following pages present expenses, income, assets and liabilities attributable to each program.

Expenses and income by program

	Mineral Resources and Energy		Water Industry Technical and Safety Regulation		General / Not attributable	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Income						
Appropriation	-	-	-	-	89 951	110 202
Intra-government transfers	45 427	16 750	2 790	2 651	190	2 761
Fees and charges	24 899	23 289	-	-	-	-
Sales of goods and services	4 556	5 028	-	-	-	-
Interest	957	147	-	-	-	-
Commonwealth-sourced grants and funding	866	322	-	-	-	-
Resources received free of charge	363	378	18	17	-	-
Net gain from the disposal of non-current assets	2	-	-	-	-	-
Other income	9 580	6 916	12	21	-	-
Total income	86 650	52 830	2 820	2 689	90 141	112 963
Expenses						
Grants and subsidies	82 332	43 518	18	6	-	-
Supplies and services	47 648	71 701	749	594	-	-
Employee benefits expenses	38 653	40 277	1 865	1 814	-	-
Depreciation and amortisation	8 946	5 386	298	45	-	-
Net loss from the disposal of non-current assets	-	98	-	-	-	-
Borrowing costs	6	-	1	-	-	-
Other expenses	1 959	2 844	22	18	-	-
Cash returned to the Department of Treasury and Finance	-	-	-	-	-	69 534
Total expenses	179 544	163 824	2 953	2 477	-	69 534
Net result	(92 894)	(110 994)	(133)	212	90 141	43 429

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.2. Objectives and activities of the Department for Energy and Mining (continued)

	Activity Total	
	2020	2019
	\$'000	\$'000
Income		
Appropriation	89 951	110 202
Intra-government transfers	48 407	22 162
Fees and charges	24 899	23 289
Sales of goods and services	4 556	5 028
Interest	957	147
Commonwealth-sourced grants and funding	866	322
Resources received free of charge	381	395
Net gain from the disposal of non-current assets	2	-
Other income	9 592	6 937
Total income	179 611	168 482
Expenses		
Grants and subsidies	82 350	43 524
Supplies and services	48 397	72 295
Employee benefits expenses	40 518	42 091
Depreciation and amortisation expenses	9 244	5 431
Net loss from disposal of non-current assets	-	98
Borrowing costs	7	-
Other expenses	1 981	2 862
Cash returned to the Department of Treasury and Finance	-	69 534
Total expenses	182 497	235 835
Net result	(2 886)	(67 353)

Assets and liabilities by program

	Mineral Resources and Energy		Water Industry Technical and Safety Regulation	
			2020	2019
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	9 766	5 685	161	86
Receivables	26 483	15 620	856	763
Property, plant and equipment	45 572	266 042	1 518	2 222
Intangible assets	1 842	2 413	61	20
Total assets	83 663	289 760	2 596	3 091
Liabilities				
Payables	10 696	16 586	176	251
Employee benefits	14 454	14 643	697	659
Financial liabilities	425	-	7	-
Provisions	3 139	3 527	151	159
Other liabilities	20 222	6 908	334	95
Total liabilities	48 936	41 664	1 365	1 164

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.2. Objectives and activities of the Department for Energy and Mining (continued)

	Activity Total	
	2020	2019
	\$'000	\$'000
<u>Assets</u>		
Cash and cash equivalents	9 927	5 771
Receivables	27 339	16 383
Property, plant and equipment	47 090	268 264
Intangible assets	1 903	2 433
Total assets	86 259	292 851
<u>Liabilities</u>		
Payables	10 872	16 837
Employee benefits	15 151	15 302
Financial liabilities	432	-
Provisions	3 290	3 686
Other liabilities	20 556	7 003
Total liabilities	50 301	42 828

1.3. Impact of COVID-19 pandemic on the department

The department has maintained service delivery during the COVID-19 pandemic with only a minimal impact on the operations. The most significant financial impacts relate to delays to Remote Areas Energy Supply (RAES) projects due to restricted access to remote areas, and fee relief provided for mineral and petroleum producers. Further details on COVID-19 impacts are detailed below:

- Expenditure on Remote Areas Energy Supply (RAES) Scheme projects was impacted by delays in the delivery of smart meters for the Future Sustainability Project, followed by restricted access to remote areas. The planned capital upgrade of RAES generators and preliminary works on the Central Power House were also impacted by the restricted access to remote areas.
- The department implemented the immediate deferral of mineral exploration licence fees and annual petroleum and geothermal licence fees. These licence fees are now due on 31 December 2020. This has had an impact on receivables as at 30 June 2020 (note 6.2). In addition, there is a 12-month waiver of committed expenditure for all mineral exploration licence holders as well as an expansion of allowable expenditures towards minimum Petroleum Retention Licence requirements during a period of low oil prices.

Refer to note 10.4 for impacts in 2020-21.

1.4. Changes to the department

There were no changes to the department during the 2020 financial year.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.5. Budget performance

The budget performance table compares the departments outcomes against budget information presented to Parliament (2019-20 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

	Statement	Note	Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Statement of Comprehensive Income					
Income					
Appropriation	2.1		91 210	89 951	(1 259)
Intra-government transfers	2.2		54 522	48 407	(6 115)
Fees and charges	2.3		24 455	24 899	444
Sales of goods and services	2.4		4 808	4 556	(252)
Interest	2.5		-	957	957
Commonwealth-sourced grants and funding	2.6		129	866	737
Resources received free of charge	2.7		-	381	381
Net gain from the disposal of property, plant and equipment	2.8		-	2	2
Other income	2.9		3 853	9 592	5 739
Total income			178 977	179 611	634
Expenses					
Grants and subsidies	4.1		83 440	82 350	(1 090)
Supplies and services	4.2		54 989	48 397	(6 592)
Employee benefits expenses	3.3		37 276	40 518	3 242
Depreciation and amortisation	4.3		2 983	9 244	6 261
Borrowing costs	4.4		-	7	7
Other expenses	4.5		859	1 981	1 122
Total expenses			179 547	182 497	2 950
Net result			(570)	(2 886)	(2 316)

	Note	Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Investing Expenditure Summary				
Total new projects	(a)	2 403	521	(1 882)
Total existing projects	(b)	-	226	226
Total annual programs	(c)	2 064	877	(1 187)
Total investing expenditure		4 467	1 624	(2 843)

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

1.5. Budget performance (continued)

Explanations are provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses or total expenditure.

Investing Expenditure:

- (a) Expenditure on new projects is \$1.9 million lower than original budget due to delays in the Remote Area Energy Supply (RAES) Future Sustainability Project. These were attributable to delays in the delivery of the smart meters, followed by restricted access to remote areas due to COVID-19.
- (b) Expenditure on existing projects is \$0.2 million above original budget due to additional works necessary for the completion of the State Drill Core Reference Library.
- (c) Expenditure on annual programs is \$1.2 million lower than original budget mainly due to delays in the upgrade of RAES generators and preliminary works on the Central Power House, as a result of restricted access to remote areas due to COVID-19.

1.6. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- about 90 per cent of accommodation services are supplied by the Department of Planning, Transport and Infrastructure;
- 100 per cent of lease payments relate to vehicles supplied by the South Australian Government Financing Authority (SAFA);
- service level agreement payments are to the Department for Innovation and Skills (DIS) of \$1.3 million for provision of corporate services and the Department of Primary Industries and Regions SA (PIRSA) of \$1.7 million for information technology services; and
- Emergency generators were transferred to the Treasurer on 30 June 2020 by way of proclamation, at their carrying value of \$217.1 million (refer note 5.2).

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2. Income

The department's primary sources of income (excluding appropriations from SA Government) include application, rental and licence fees collected pursuant to the *Petroleum and Geothermal Energy Act 2000*, *Mining Act 1971* and *Opal Mining Act 1995* (refer note 2.3), Industry licence fees levied by the Essential Services Commission of South Australia (refer note 2.2), sales of electricity (refer note 2.4) and funding received from the Green Industry Fund (refer note 2.2).

2.1. Appropriation

	2020	2019
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	89 951	110 202
Total appropriations	89 951	110 202

Appropriations are recognised on receipt.

2.2. Intra-government transfers

	2020	2019
	\$'000	\$'000
Green Industry Fund	30 846	8 379
Industry licence fee allocation	10 745	10 372
Economic and Business Growth Fund	6 180	-
Other Intra-government transfers	636	3 411
Total Intra-government transfers	48 407	22 162

Intra-government transfers are recognised as income on receipt.

The Green Industry Fund contributes towards the department's climate change initiatives including the Home Battery Scheme, Grid Scale Storage, and the Low Carbon Economy Unit.

The industry licence fee allocation is the department's funding from licence fees on electricity and gas industry bodies in South Australia. Fees are determined by the Minister for Energy and Mining and are levied by the Essential Services Commission of South Australia.

Other intra-government transfers includes reimbursements from the Department of Treasury and Finance for targeted voluntary separation packages (2020: nil; 2019: \$2.761 million).

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2.3. Fees and charges

	2020	2019
	\$'000	\$'000
Mining and petroleum licence fees	23 395	21 982
Mining and petroleum non-licence fees	1 504	1 307
Total fees and charges	24 899	23 289

All revenue from fees and charges is revenue recognised from contracts with customers.

The Department for Energy and Mining is responsible for administration of licenses and other fees under the *Petroleum and Geothermal Energy Act 2000*, *Mining Act 1971*, *Mines and Works Inspection Act 1920* and *Opal Mining Act 1995*.

Mining and petroleum licence fees

The department collects mining, petroleum and opal licence fees annually. Even though licences are generally issued for periods greater than one year, all licences are classified as short term in recognition of their non-cancellable, non-amendable period. Fee revenue is recognised at a single point in time when the licence is granted, or on its anniversary date in future annual periods where the licence has not been cancelled, suspended or amended.

Mining and petroleum non-licence fees

The department also collects regulatory fees for licence applications, advertising notices, search fees and other administration fees. Revenue is recognised at the time of receipt of payment.

Contract balances

	30 June 2020	1 July 2019
	\$'000	\$'000
Receivables from contracts with customers, included in 'Receivables'	4 530	2 283
Contract liabilities	(4 016)	(2 706)

Contract liabilities primarily relate to payments of annual rent and regulatory licence fees at the renewal of a mining tenement or subsequent exploration licence. Once a renewal decision has been made and a memorandum has been instrumented in the Mining Register the revenue is then recognised as revenue. Annual rent for mining leases, retention leases and miscellaneous purpose licences which are granted or renewed over freehold land is disbursed to eligible freehold landowners upon receipt of payment.

Contract liabilities have substantially increased due to two significant mining tenements under renewal involving complex assessment processes. These have now been resolved and it is expected that they will be finalised in 2020-21, subject to site inspection.

Revenue totalling \$0.4 million was recognised in 2019-20 that was included in contract liabilities at 1 July 2019. No revenue related to adjustments to prices for performance obligations satisfied or partially satisfied in prior periods.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2.4. Sales of goods and services

	2020	2019
	\$'000	\$'000
Sales of electricity	4 556	5 028
Total sales of goods and services	4 556	5 028

Revenue from the sale of electricity is revenue recognised from contracts with customers.

The department receives revenue from the sale of electricity in remote areas. Fees are set annually by the Minister based on average on-grid electricity prices. All billing activities are conducted by an external service provider on behalf of the department, with all funds collected passed directly on to the department.

In the comparative period, revenue from sales of electricity was also recognised as billed (in arrears).

Contract balances

	2020	2019
	\$'000	\$'000
Receivables from contracts with customers, included in 'Receivables'	415	1 170

There is an unconditional right to receive payment for sales of electricity when billed. No contract assets or liabilities are recognised. Receivables decreased during the period mainly due to the timing of the quarterly meter reading in May 2019 being later than usual, resulting in corresponding invoices not being due until July 2019, inflating the receivables balance at 1 July 2019.

2.5. Interest

	2020	2019
	\$'000	\$'000
Interest revenues	957	147
Total interest revenues	957	147

Interest revenues relate to a Renewable Technology Fund loan which began in December 2018.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

2.6. Commonwealth-sourced grants and funding

	2020	2019
	\$'000	\$'000
Grants		
Standalone and Embedded Networks	545	-
Smart Appliances Demand Response	100	-
COAG Hydrogen	75	125
Bioenergy	60	59
National Energy Efficient Buildings	44	46
Greenhouse and Energy Minimum Standards (GEMS) Inspections	42	61
Other Payments		
Salary reimbursement - Energy Security Board	-	31
Total Commonwealth grants and payments	<u>866</u>	<u>322</u>

Commonwealth-sourced grants and funding are recognised as income on receipt.

Obligations under Commonwealth-sourced grants and funding are required to be met by the State of South Australia. The obligations under funding arrangements rest with the department as all funding was received directly from the Commonwealth by the department, with the department representing the State of South Australia's obligations under the grant for accounting purposes. The Commonwealth has provided funding to the State for the following purposes:

- Standalone and Embedded Networks - to support development of a legislative package to implement reforms for stand-alone power systems and embedded networks, as approved by the Senior Committee of Officials (SCO).
- Smart Appliances Demand Response - to draft a decision regulatory impact statement for certain electrical appliances sold in Australia to be demand response capable, as agreed by the Council of Australian Governments (COAG) Energy Council.
- COAG Hydrogen - to assess the regulatory changes and technical standards that would be required to allow up to 10 per cent hydrogen in the domestic gas network.
- Bioenergy - to support the development of a national data base of biomass resources.
- National Energy Efficient Buildings - to support consumers, government and industry to achieve better energy efficiency in new residential buildings, renovations and additions.
- Greenhouse and Energy Minimum Standards (GEMS) Inspections – to carry out compliance monitoring activities in relation to the *Greenhouse and Energy Minimum Standards Act 2012* and *Building Energy Efficiency Disclosure Act 2010*.

2.7. Resources received free of charge

	2020	2019
	\$'000	\$'000
Services received free of charge - Shared Services SA	381	389
Donated assets	-	6
Total resources received free of charge	<u>381</u>	<u>395</u>

Financial reporting services were provided free of charge by Shared Services SA as the department is a non-billable client. The fair value of the services can be reliably measured and the services would have been purchased if they had not been donated.

Department for Energy and Mining
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2.8. Net gain (loss) from the disposal of property, plant and equipment

	2020	2019
	\$'000	\$'000
<u>Land and buildings</u>		
Proceeds from disposal	-	340
Less net book value of assets disposed	-	(372)
Net gain from disposal of land and buildings	-	(32)
<u>Plant and equipment and other assets</u>		
Proceeds from disposal	29	27
Less net book value of assets disposed	(27)	(93)
Net gain from disposal of plant and equipment and other assets	2	(66)
<u>Total assets</u>		
Proceeds from disposal	29	367
Less net book value of assets disposed	(27)	(465)
Total net gain (loss) from disposal of non-current and other assets	2	(98)

2.9. Other income

	2020	2019
	\$'000	\$'000
Recoveries	5 497	3 126
Fuel tax credits	2 434	2 440
Support for the regulation of Extractive Mining Operations	1 328	998
Other income	333	373
Total other income	9 592	6 937

Recoveries include reimbursement of costs incurred by the department to support early works on project EnergyConnect, the SA-NSW interconnector project (\$2.7 million).

Recoveries and other income are revenue recognised from contracts with customers. Revenue is recognised at the time of receipt or upon recognition of a receivable.

Fuel tax credits, and support for the regulation of extractive mining operations are recognised as income on receipt.

Department for Energy and Mining
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3. Boards, committees and employees

3.1. Key management personnel

Key management personnel of the department include the Minister, Chief Executive and seven members of the Executive Team.

The compensation for key management personnel was \$2.0 million (2019: \$2.0 million).

The compensation disclosed in this note excludes salaries and other benefits the Minister for Energy and Mining receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2020	2019
	\$'000	\$'000
<u>Compensation</u>		
Salaries and other short term employee benefits	1 541	1 593
Post-employment benefits	506	430
Total compensation	2 047	2 023

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3.2. Board and committee members

Members during the 2020 financial year were:

Minerals and Energy Advisory Council

P Carr (Chair)
D Maxwell ^
G Toogood ^ (appointed May 2020)
J Schrull ^ (resigned May 2020)
K Hulmes ^
K Keates (appointed November 2019)
K Reznikov
L Owler ^
M Reed ^
R Boele ^
S Bellman ^
S Masters ^
S Pitcher ^ (resigned September 2019)
S Thuraisingham
T Burgess ^

Risk and Performance Committee

C Dunsford (Chair)
S Adlaf *
N Chandler * (term expired July 2019)
J Cirson *
J Hill
N Morris * (appointed July 2019)

The Risk and Performance Committee is shared with the Department for Trade and Investment (DTI) and the Department for Innovation and Skills (DIS). The committee is remunerated by DIS and costs are recovered through the service level agreement with DIS (refer note 4.2).

* In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board / committee duties during 2019-20.

^ Indicates a member entitled to remuneration but has elected not to receive payment.

The Department of the Premier and Cabinet and the Office of the Technical Regulator agreed in January 2020 that the Technical Advisory Committee, having been established and appointed by the Technical Regulator, did not meet the definition of boards and committees and is no longer included in this note.

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2020	2019
\$1 - \$19 999	5	6
Total number of members	5	6

The total remuneration received or receivable by members was \$10 000 (2019: \$7 000). Remuneration of members reflects all costs of performing board / committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

3.3. Employee benefits expenses

Employee benefits expenses

	2020	2019
	\$'000	\$'000
	Note	
Salaries and wages	31 127	29 357
Employment on-costs – superannuation	3 540	3 327
Annual leave	2 878	2 712
Employment on-costs – other	1 864	1 931
Long service leave	668	1 979
Targeted voluntary separation packages	439	2 613
Skills and experience retention leave	231	178
Board fees (excl. on-costs)*	3.2 9	7
Workers compensation	(238)	(13)
Total employee benefits expense	40 518	42 091

* Board fees includes \$5 000 paid to the Chair of the Penrice Community Consultative Committee, appointed by the Minister and reimbursed to the department as a recovery (refer note 2.9).

Employment on-costs - superannuation

The superannuation employment on-cost charge represents the department's contributions to superannuation plans in respect of current services of current employees.

Department for Energy and Mining
Notes to and forming part of the financial statements
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3.3. Employee benefits expenses (continued)

Executive remuneration

The number of employees whose remuneration received or receivable falls within the following bands:

	2020	2019
	Number	Number
\$151 000 to \$154 000**	N/A	6
\$154 001 to \$174 000	8	12
\$174 001 to \$194 000	9	7
\$194 001 to \$214 000	4	5
\$214 001 to \$234 000	4	2
\$234 001 to \$254 000	4	4
\$254 001 to \$274 000	1	-
\$294 001 to \$314 000*	-	5
\$314 001 to \$334 000*	-	1
\$334 001 to \$354 000	1	1
\$354 001 to \$374 000*	1	3
\$394 001 to \$414 000^	2	1
\$414 001 to \$434 000^	1	-
\$434 001 to \$454 000^	1	-
Total	36	47

** This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

* This band includes employees that have received TVSP and (or) termination payments in 2018-19.

^ This band includes employees that have received TVSP and (or) termination payments in 2019-20.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

The total remuneration received by those employees for the year was \$8.3 million (2019: \$10.2 million).

Targeted voluntary separation packages (TVSPs)

The number of employees who received a TVSP during the reporting period was 5 (2019: 29)

	2020	2019
	\$'000	\$'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	439	2 613
Leave paid to separated employees	134	1 032
Recovery from the Department of Treasury and Finance	-	(2 761)
Net cost to the department	573	884

Department for Energy and Mining
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3.4. Employee benefits liability

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Annual leave	3 306	2 873
Accrued salaries and wages	864	1 132
Long service leave	441	507
Skills and experience retention leave	259	239
Total current employee benefits	4 870	4 751
<u>Non-current</u>		
Long service leave	10 281	10 551
Total non-current employee benefits	10 281	10 551
Total employee benefits	15 151	15 302

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at their nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention leave liability expected to be payable within 12 months are measured at the undiscounted amount expected to be paid. Where the annual leave liability and the skills and experience retention leave liability are expected to be payable later than 12 months, the liabilities are measured at present value.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

Department for Energy and Mining
Notes to and forming part of the financial statements
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4. Expenses

The operating expenses of the department primarily relate to Energy Initiative grant funding programs that include the Home Battery Scheme and Project EnergyConnect, the state's Temporary Generators, and the Remote Areas Energy Supply Scheme (RAES).

Employee benefits expenses are disclosed in note 3.3.

4.1. Grants and subsidies

	2020	2019
	\$'000	\$'000
Home Battery Scheme	43 208	7 070
Project EnergyConnect	15 968	2 680
Other grants and subsidies	8 237	3 518
Renewable Technology Fund	5 622	13 579
Remote Areas Energy Supply Scheme	4 603	4 232
Australian Energy Market Commission	2 382	2 213
Energy Productivity Program	1 980	8 032
MinEx CRC	350	2 200
Total grants and subsidies	82 350	43 524

4.2. Supplies and services

	2020	2019
	\$'000	\$'000
Emergency generation and storage ^(a)	16 568	33 453
Office administration expenses	3 393	3 659
Energy supply fuel and lubricants	7 103	8 188
Accommodation	4 044	4 090
Service level agreements ^(b)	3 706	4 254
Contractors ^(c)	6 885	10 790
Consultants	1 905	2 038
Information technology and communication charges	1 321	1 309
Travel and related expenses	1 000	1 022
Staff related expenses	859	907
Remote areas energy supplies plant and equipment	730	729
Marketing	425	706
Service recoveries	325	489
Accounting and audit fees ^(d)	133	125
Operating lease payments	-	536
Total supplies and services	48 397	72 295

(a) Emergency generation and storage represents payments for operation of the State's Temporary Generators and the Hornsdale Power Reserve lithium-ion battery.

(b) Service level agreements largely represents payments made to the Department for Innovation and Skills (DIS) and the Department of Primary Industries and Regions SA (PIRSA) for the provision of corporate support and Information Communication Technology support under service level agreements.

Department for Energy and Mining
Notes to and forming part of the financial statements
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4.2. Supplies and services (cont.)

- (c) Contractors include major service contract payments to Cowell Electricity Supply Pty Ltd to manage electricity infrastructure in the Remote Areas Energy Supply (RAES) communities.
- (d) Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.1 million. No other services were provided by the Auditor-General's Department.

Accommodation

Most of the department's accommodation is provided by the Department of Planning, Transport and Infrastructure under Memoranda of Administrative Arrangement (MoAA) issued in accordance with government-wide accommodation policies. MoAA do not meet the definition of lease set out in AASB 16.

In previous years expenses associated with MoAA have been classified as operating lease payments. Expenses associated with MoAA have been re-classified as accommodation expenses for both the current year and the comparative. Further details about this re-classification is set out in note 9.1.

Consultants

The number of consultancies and dollar amount paid / payable (included in supplies and services expense) to consultants that fell within the following bands:

	2020 Number	2020 \$'000	2019 Number	2019 \$'000
Below \$10 000	7	27	8	36
\$10 000 or above	29	1 878	20	2 002
Total	36	1 905	28	2 038

Department for Energy and Mining
Notes to and forming part of the financial statements
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4.3. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Plant and equipment	7 815	4 486
Buildings and leasehold improvements	628	744
Intangibles / software	530	201
Right-of-use vehicles	271	-
Total depreciation and amortisation expenses	9 244	5 431

All non-current assets, having a limited useful life, are systematically depreciated / amortised over their useful lives in a manner that reflects the consumption of their service potential.

Land and non-current assets held for sale are not depreciated.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Useful life

Depreciation / amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Buildings	25-80
Leasehold improvements	Life of lease
Right-of-use vehicles	Life of Lease
Plant and equipment	2-60
Intangibles / software	3-10

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Depreciation on plant and equipment has increased due to the depreciation on emergency generators being for a full year. The generators were acquired by the department on 24 December 2018 and transferred to the Treasurer at 30 June 2020.

The department revalued its buildings upward at 30 June 2020. Future depreciation expense will increase by \$2.1 million as a result.

Department for Energy and Mining
Notes to and forming part of the financial statements
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4.4. Borrowing costs

	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	7	-
Total Borrowing Costs	<u>7</u>	<u>-</u>

4.5. Other expenses

	2020	2019
	\$'000	\$'000
Asset derecognition	834	-
NRM Water Catchment Levy	810	797
Shared Services fee	381	389
Revaluation decrement	-	1 203
Other expenses	-	3
Bad and doubtful debts	(44)	470
Total other expenses	<u>1 981</u>	<u>2 862</u>

The asset derecognition is associated with the removal of items from the asset register which are not owned by the department. These items have been removed at their carrying amounts and include accommodation on the Anangu Pitjantjatjara Yankunytjatjara (APY) lands of \$0.7 million and land and buildings at Andamooka of \$0.1 million.

The revaluation decrement is associated with the independent valuation of electricity infrastructure in RAES communities at 30 June 2019.

Department for Energy and Mining
Notes to and forming part of the financial statements
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5. Non-financial assets

5.1. Property, plant and equipment by asset class

	2020	2019
	\$'000	\$'000
<u>Plant and equipment</u>		
Plant and equipment at cost (deemed fair value)	11 233	5 315
Plant and equipment at fair value	-	232 270
Accumulated depreciation	(2 972)	(5 151)
Total plant and equipment	8 261	232 434
<u>Buildings and leasehold improvements</u>		
Buildings and leasehold improvements at fair value	32 305	30 466
Accumulated depreciation	(2 691)	(2 062)
Total buildings and leasehold improvements	29 614	28 404
<u>Land</u>		
Land at fair value	7 209	6 195
Total land	7 209	6 195
<u>Works of art</u>		
Works of art at fair value	70	70
Total works of art	70	70
<u>Right-of-use vehicles</u>		
Right-of-use vehicles (at cost)	629	-
Accumulated depreciation	(200)	-
Total right-of-use vehicles	429	-
<u>Capital works in progress</u>		
Works in progress at cost	1 507	1 161
Total capital works in progress	1 507	1 161
Total property, plant and equipment	47 090	268 264

Department for Energy and Mining
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5.1. Property, plant and equipment by asset class (cont.)

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed with the exception of works of art. Works of art are capitalised irrespective of their value.

Property, plant and equipment owned by the department is recorded at fair value. Detail about the department's approach to fair value is set out in note 11.2.

Plant and equipment includes \$3.5 million of fully depreciated plant and equipment still in use.

The department maintains electricity infrastructure in Aboriginal communities through the RAES scheme. An independent valuation performed as at 30 June 2019 identified \$14.6 million of electricity generation and distribution network assets installed on Aboriginal Lands pre-2012 that are not currently recognised as property, plant and equipment. The department sought advice from the Crown Solicitor's Office and as a result will not be recording these assets on the department's register.

An independent valuation was performed as at 30 June 2020 on the department's land and buildings. As a result land was revalued upward \$1.1 million and buildings were revalued upward \$2.1 million.

Emergency generators were transferred to the Treasurer on 30 June 2020 at their carrying value of \$217.1 million.

5.2. Property, plant and equipment owned by the department

Impairment

Property, plant and equipment owned by the department have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature, held for continual use of their service capacity and are subject to regular revaluation.

Reconciliation 2019-20

	Plant and equipment	Buildings and leasehold improvements	Land	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	232 434	28 404	6 195	70	1 161	268 264
Additions	817	153	-	-	653	1 623
Capitalisation	-	307	-	-	(307)	-
Disposals	(27)	-	-	-	-	(27)
Asset derecognition	-	(746)	(88)	-	-	(834)
Revaluation increment	-	2 124	1 102	-	-	3 226
Depreciation / amortisation	(7 815)	(628)	-	-	-	(8 443)
Net assets transferred by proclamation	(217 148)	-	-	-	-	(217 148)
Carrying amount at 30 June 2020	8 261	29 614	7 209	70	1 507	46 661

Department for Energy and Mining
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5.2. Property, plant and equipment owned by the department (cont.)

Disposals of plant and equipment relate to the transfer, by proclamation, of generators valued at \$217.1 million to the Treasurer on 30 June 2020.

Reconciliation 2018-19

	Plant and equipment	Buildings and leasehold improvements	Land	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	-	-	-	-	-	-
Additions	230 193	-	-	-	1 382	231 575
Capitalisation	-	1 375	-	-	(1 375)	-
Disposals	(93)	-	-	-	-	(93)
Donated assets	6	-	-	-	-	6
Revaluation decrement expense	(1 203)	-	-	-	-	(1 203)
Depreciation / amortisation	(4 486)	(744)	-	-	-	(5 230)
Net assets transferred as a result of an administrative restructure	8 017	27 773	6 195	70	1 154	43 209
Carrying amount at 30 June 2019	232 434	28 404	6 195	70	1 161	268 264

5.3. Property, plant and equipment leased by the department

Property, plant and equipment leased by the department is recorded at cost. Additions to leased property, plant and equipment were \$0.7 million (2019: nil) including transfers in of right of use assets under AASB 16.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.2.

The department has a limited number of leases:

- As at 30 June 2020, the department has 43 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from three years (60,000km) up to five years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The department's maturity analysis of its lease liabilities is disclosed in note 11.3. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4. Cash outflows related to leases are disclosed in note 8.2.

Impairment

Property, plant and equipment leased by the department has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

Department for Energy and Mining
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for the year ended 30 June 2020

5.4. Intangible assets

	2020 \$'000	2019 \$'000
<u>Computer software</u>		
Internally developed computer software	2 786	994
Accumulated amortisation	(902)	(377)
Total computer software	1 884	617
<u>Computer software - other</u>		
Other computer software	35	35
Other accumulated amortisation	(16)	(11)
Total computer software	19	24
<u>Works in progress</u>		
Intangible works in progress	-	1 792
Total intangible works in progress	-	1 792
Total intangible assets	1 903	2 433

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of, or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

Works in progress relating to the Petroleum Exploration and Production System (PEPS) were capitalised during the year.

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2019-20:

	Intangibles		
	Intangibles software	work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	641	1 792	2 433
Capitalisation	1 792	(1 792)	-
Amortisation	(530)	-	(530)
Carrying amount at 30 June 2020	1 903	-	1 903

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5.4. Intangible assets (cont.)

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2018-19:

	Intangibles software	Intangibles work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	-	-	-
Amortisation	(201)	-	(201)
Net assets transferred as a result of an administrative restructure	842	1 792	2 634
Carrying amount at 30 June 2019	641	1 792	2 433

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6. Financial assets

6.1. Cash

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	9 927	5 771
Total cash	9 927	5 771

6.2. Receivables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Trade receivables		
From non-government entities	5 108	3 377
From government entities	93	166
Allowance for doubtful debts	(372)	(447)
Total trade receivables	4 829	3 096
Loans granted	21 104	11 147
Accrued revenue	712	287
Prepayments	277	861
GST input tax recoverable	399	976
Other receivables	18	16
Total current receivables	27 339	16 383
Total receivables	27 339	16 383

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

The increase in trade receivables is mostly due to industry assistance offered through fee relief as a COVID-19 support measure, which has extended payment terms by up to seven months (refer note 1.3). The energy and resources sector has remained strong through 2019-20 with no evidence of increased credit risk including no observed increase in administration appointments nor significant requests for further deferrals of payment. Consequently, there has not been an adjustment to expected credit loss for industry assistance measures. Refer to note 11.3 for further information on risk management.

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6.2. Receivables (cont.)

Impairment of receivables

	2020	2019
	\$'000	\$'000
Carrying amount at 1 July 2019	<u>(447)</u>	-
(Increase) in allowance due to restructure activities	-	(38)
Decrease / (Increase) in the allowance	45	(418)
Amounts written off	<u>30</u>	<u>9</u>
Carrying amount at 30 June 2020	<u>(372)</u>	<u>(447)</u>

Refer to note 11.3 for details regarding credit risk and the methodology for determining impairment.

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7. Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1. Payables

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Creditors and accrued expenses	8 706	15 011
Employment on-costs	1 213	859
Total current payables	9 919	15 870
<u>Non-current</u>		
Employment on-costs	953	967
Total non-current payables	953	967
Total payables	10 872	16 837

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax, Return to Work SA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

The department makes contributions to several state government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and external schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave was 42 per cent in 2020 (2019: 41 per cent). The average factor for the calculation of employer superannuation cost on-costs has remained unchanged from the 2019 rate of 9.8 per cent in 2020 (2019: 9.8 per cent). These rates are used in the employment on-cost calculation. The impact on 2020 is not material.

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7.2. Financial Liabilities

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Lease liabilities	220	-
Total current financial liabilities	220	-
<u>Non-current</u>		
Lease liabilities	212	-
Total non-current financial liabilities	212	-
Total financial liabilities	432	-

The department measures financial liabilities including borrowings/debt at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosed above.

7.3. Provisions

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Provision for workers compensation	184	196
Total current provisions	184	196
<u>Non-current</u>		
Provision for workers compensation	3 106	3 490
Total non-current provisions	3 106	3 490
Total provisions	3 290	3 686
Movement in provisions		
Carrying amount at 1 July 2019	3 686	-
Additional provisions recognised as a result of restructure activities	-	3 825
(Decrease) in provisions recognised	(396)	(139)
Carrying amount at 30 June 2020	3 290	3 686

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The department is responsible for the payment of workers compensation claims.

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7.4. Other liabilities

	2020	2019
	\$'000	\$'000
<u>Current</u>		
Security deposits	16 540	4 204
Contract liabilities	4 016	-
Unearned revenue	-	2 799
Total current other liabilities	20 556	7 003
Total other liabilities	20 556	7 003

Security deposits are received to ensure mine operators rehabilitate sites and comply with all statutory requirements on cessation of mining operations. Cash deposits are classified as security deposits. The value of securities held in the form of bank guarantees are reflected as a contingent asset as the department only has claim on these funds if the mining operator fails to meet its legislative requirements. The increase in security deposits reflects movements from bank guarantees to cash securities for several large tenements upon change of ownership of the tenement, or company holding the tenement.

Contract liabilities relate to payments of rent and annual regulatory fees at the renewal of a mining tenement or subsequent exploration licence. Refer to note 2.3 for further detail.

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8. Other disclosures

8.1. Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

8.2. Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2020	2019
	\$'000	\$'000
Leases		
Vehicles	(269)	
Total cash outflow for leases	(269)	-

Reconciliation of net result to cash flows from operating activities

	2020	2019
	\$'000	\$'000
<u>Reconciliation of cash and cash equivalents at the end of the reporting period</u>		
Cash and cash equivalents disclosed in the Statement of Financial Position	9 927	5 771
Balance as per the Statement of Cash Flows	9 927	5 771

Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services

Net cash provided by / (used in) in operating activities	5 897	(70 917)
--	-------	----------

Add / (less) non-cash items

Depreciation and amortisation expense of non-current assets	(9 244)	(5 431)
Asset derecognition	(834)	-
Bad and doubtful debts expense	44	(470)
Resources received free of charge	381	395
Revaluation decrement	-	(1 203)
Resources provided free of charge	(381)	(389)
Transfer in for administrative restructure	-	36 037
Profit (loss) from disposal and write down of non-current and other assets	2	(98)

Movement in assets and liabilities

Increase in receivables	9 653	16 207
Decrease / (increase) in payables	5 303	(16 116)
(Increase) in other liabilities	(13 553)	(6 380)
Decrease / (increase) in provisions	396	(3 686)
Decrease / (increase) in employee benefits	151	(15 302)
(Increase) in financial liabilities	(701)	-
Net Result	(2 886)	(67 353)

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9. Changes in accounting policy

9.1. AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 Leases replaces AASB 117 Leases and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted in adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 *Leases* largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

Impact on retained earnings

Right-of use assets and the related lease liabilities were recognised at equal values so there was no impact on the department's retained earnings as at 1 July 2019.

The department disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$22 million under AASB 117.

The department has accommodation services provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies.

These MoAA do not meet the definition of a lease set out either in AASB 16 or in the former standard AASB 117. Accordingly, the 2018-19 undiscounted operating lease commitments should have been disclosed as \$0.3 million under AASB 117. There is no material difference between the revised operating lease commitments when discounted and the financial liabilities recognised as at 1 July 2019.

Commitments related to accommodation services provided by DPTI are included in Note 10.1.

The misclassification did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years. This misclassification impacted items within the supplies and services expenses line. Note 4.2. applies the correct classification for both the current and comparative years.

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The Treasurer's Instructions (Accounting Policy Statements) requires certain choices in those transitional provisions to be taken. The department has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.

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9.1. AASB 16 Leases (cont.)

- the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing rate published by the Department of Treasury and Finance as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 2.19 per cent.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

Ongoing accounting policies

The Treasurer's Instructions (Accounting Policy Statements) specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the department's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the department, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relating to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

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9.2. AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

On transition there was no impact on retained earnings.

Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify requirements for public authorities in applying AASB 15. These requirements are reflected in the department's accounting policies as follows:

- mining and petroleum licences are short-term licences (ie. being those with a licence term of 12 months or less) and are exempt from AASB 15 revenue recognition requirements. The department has elected to recognise revenue at the point in time the licence is granted, or on its anniversary date for future annual period.
- AASB 15 is applied to a portfolio of contracts with similar characteristics.
- there is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- the incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the department would have recognised is one year or less.
- for measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the department's performance completed to date.
- there is no disclosure of certain information relating to remaining performance obligations if the original contract is expected to end within one year or when revenue is recognised in accordance with para. B16.

Significant accounting policies relating to the application of AASB 15 are disclosed under relevant notes.

9.3. AASB 1058 Income of Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

Accounting policies on transition

On transition, there was no impact on retained earnings.

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9.4. Presentation of financial statements

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost-of-services format. The net cost-of-services is the total cost of services less any revenue retained by public authorities involved in the provision of services, but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the sources of funding for the department. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

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10. Outlook

10.1. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Capital commitments

	2020	2019
	\$'000	\$'000
Within one year	1 370	-
Total capital commitments	1 370	-

The department's capital commitments are for installation of generators and smart meters under the remote area energy supply program.

Expenditure commitments

	2020	2019
	\$'000	\$'000
Within one year	85 510	49 869
Later than one year but not later than five years	89 463	47 854
Later than five years	17 271	22 977
Total other commitments	192 244	120 700

The department's expenditure commitments are for agreements for:

- Memoranda of administrative arrangements with the Department of Planning, Transport and Infrastructure for accommodation (\$19 million).
- South Australian Project EnergyConnect (\$44 million).
- South Australian Grid-Connected Battery Facility (\$31 million).
- Remote area energy supply independent operator subsidies (\$29 million).

Operating lease commitments

	2020	2019
	\$'000	\$'000
<u>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</u>		
Within one year	-	224
Later than one year but not later than five years	-	124
Total operating lease commitments	-	348
Representing:		
Cancellable operating leases	-	348
Total operating lease commitments	-	348

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10.1. Unrecognised contractual commitments (cont.)

Operating lease commitments is provided for the comparative year only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee. The comparative amount does not include commitments for memoranda of administrative arrangements with the Department of Planning, Transport and Infrastructure for accommodation. This has to be reclassified and included under expenditure commitments. For more detail about the reclassification see 9.1.

10.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Contingent assets

The department receives securities in accordance with Acts administered by the department. These are obtained to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. The amount held as bank guarantees at 30 June 2020 is approximately \$217 million (2019: approximately \$161 million). The department only has a claim on these funds if the licensee fails to perform its legislative requirements.

Contingent liabilities

The nature of activities that the department is involved in can create potential exposure to mining matters, which the department may be required to remedy in the future. The department has some potential outstanding litigation specifically resulting from interpretation of past mining practices and petroleum exploration.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The department's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to government. At this time, the financial impact, if any, cannot be reliably estimated.

10.3. Impact of standards and statements not yet effective

The department has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

AASB 1059 Service Concession Arrangements: Grantors

The department is not expecting there to be any significant impact following the adoption of AASB 1059 Service Concession Arrangements: Grantors.

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10.4. COVID-19 pandemic outlook for the department

It is expected that the COVID-19 pandemic will have only minimal impact on the operations of the department in 2020-21. The key expected impacts are:

- Additional expenditure in 2020-21 for projects that were delayed in 2019-20 as a result of COVID-19 including RAES and Future Sustainability.
- Limits on overseas and inter-state travel and conferences.
- Departmental programs and activities will continue to be refocussed for delivery through digital engagement.
- Continued monitoring and coordination of mining industry fly-in fly-out (FIFO) protocols, including COVID-19 testing at Adelaide airport.

The department is not expecting there to be any significant credit losses, impairment of assets, grant agreements that cannot be satisfied, contingent assets/liabilities or any significant increase of risks in the internal control environment due to the impact of COVID-19.

Whilst there were no identified impacts of COVID-19 on land and building valuations that were undertaken at 30 June 2020, the impacts of COVID-19 will be monitored and further valuations will be carried out at 30 June 2021 if required.

Refer to note 1.3 for impacts in 2019-20.

10.5. Events after the reporting period

The department is not aware of any event occurring after balance date that would materially affect the financial statements.

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11. Measurement and risk

11.1. Long service leave liability – measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2019 (1.25 per cent) to 2020 (0.75 per cent)

The actuarial assessment performed by the Department of Treasury and Finance has decreased the salary inflation rate from 2019 (4 per cent) to 2020 (2.5 per cent) for long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability and employee benefits expense of \$0.8 million (2019: \$0.9 million increase). The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

11.2. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (that is the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken every 6 years. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

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11.2. Fair value (continued)

Fair value hierarchy

The department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date;
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly); and
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

In 2020, certain buildings and improvements were transferred from level 2 (market value basis) to level 3 (existing use basis) as a result of the independent valuation of land and buildings undertaken in June 2020.

Fair value classification – non-financial assets at 30 June 2020

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>Recurring fair value measurements</u>				
Land	5.2	7 209	-	7 209
Plant and equipment	5.2	-	8 261	8 261
Buildings and leasehold improvements	5.2	-	29 614	29 614
Works of art	5.2	-	70	70
Total recurring fair value measurements		7 209	37 945	45 154
Total fair value measurements		7 209	37 945	45 154

Fair value classification – non-financial assets at 30 June 2019

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>Recurring fair value measurements</u>				
Land	5.2	6 195	-	6 195
Plant and equipment	5.2	-	232 434	232 434
Buildings and leasehold improvements	5.2	153	28 251	28 404
Works of art	5.2	-	70	70
Total recurring fair value measurements		6 348	260 755	267 103
Total fair value measurements		6 348	260 755	267 103

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11.2. Fair value (continued)

Land and buildings

An independent valuation of land and buildings owned by the department was performed in June 2020 by a Certified Practising Valuer from Marsh Valuation Services, as at 30 June 2020.

Fair value of land has been determined using the direct comparison approach whereby the evidence derived from the analysis of recent sales of similar properties is used to establish the value of the subject property. In this regard, sales evidence has been collected as close to the date of valuation as possible and compared to the subject property on the basis of size, zoning, location, topography, shape and current use. The sales were then analysed on a sales price per square metre or hectare of land area and adjusted accordingly to reflect any character differences between the subject and the comparable sales data.

Given the specialised nature of some of the parcels there were limited directly comparable recent sales evidence available. For properties with limited sales available or more unique zonings and uses a higher number of assumptions and adjustments were required. Where a significant number of assumptions were required the land was valued on a Level 3 basis in the valuation hierarchy. Where there was sales evidence available and fewer assumptions were required, the land was valued on a Level 2 basis in the valuation hierarchy.

The fair value of specialised building assets was determined using current replacement cost. A broad search for other similar properties, not only locally based but across the State, indicated that there had been limited registered sales of such properties in the past 18 months.

The value of the buildings and site improvements has been determined using the cost approach, by first establishing their estimated cost to replace with an equivalent new asset less depreciation for their physical, functional and economic obsolescence.

For non-specialised building assets where the asset can be identified as having the capability to be compared to open market conditions, the direct comparison or income approach was adopted whereby the evidence derived from the analysis of recent sales of similar properties is used to establish the value of the subject property. In this regard, sales evidence has been collected as close to the date of valuation as possible and compared to the subject property on the basis of quality, age, condition and size of improvements, location, land area and shape. The sales were then analysed on a sales price per square metre of land area and adjusted accordingly to reflect any character differences between the subject and the comparable sales data.

Plant and equipment

Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

Works of art

An independent valuation was performed by a Certified Practising Valuer from Theodore Bruce, as at 1 June 2018.

Fair value of works of art was determined using the market approach. The valuation was based on recent market transactions for similar items. The valuer used the cost approach (that is, depreciated reproduction cost) taking into account the assets' characteristics and restrictions, due to there not being an active market. The valuation used a combination of internal records, specialised knowledge and market information about reproduction materials.

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11.2. Fair value (continued)

Reconciliation of level 3 recurring fair value measurement as at 30 June 2020

The following table is a reconciliation of fair value measurement using significant unobservable inputs (Level 3).

	Plant and equipment	Buildings and leasehold improvements	Works of art	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2019	232 434	28 251	70	260 755
Acquisitions	817	153	-	970
Capitalised subsequent expenditure	-	307	-	307
Transfer into level 3	-	153	-	153
Disposals	(27)	-	-	(27)
Asset derecognition	-	(746)	-	(746)
Closing balance at the end of the period	233 224	28 118	70	261 412
Losses for the period recognised in net result:				
Depreciation and amortisation	(7 815)	(628)	-	(8 443)
Net assets transferred by proclamation	(217 148)	-	-	(217 148)
Total losses recognised in net result	(224 963)	(628)	-	(225 591)
Gains for the period recognised in other comprehensive income (OCI):				
Revaluation increment	-	2 124	-	2 124
Total gains recognised in OCI	-	2 124	-	2 124
Closing balance at 30 June 2020	8 261	29 614	70	37 945

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.2. Fair value (continued)

Reconciliation of level 3 recurring fair value measurement as at 30 June 2019

	Plant and equipment	Buildings and leasehold improvements	Works of art	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2018	-	-	-	-
Acquisitions	230 193	-	-	230 193
Capitalised subsequent expenditure	-	1 375	-	1 375
Disposals	(93)	-	-	(93)
Donated assets	6	-	-	6
Acquisitions through administrative restructure	8 017	27 609	70	35 696
Closing balance at the end of the period	238 123	28 984	70	267 177
Losses for the period recognised in net result:				
Depreciation and amortisation	(4 486)	(733)	-	(5 219)
Total losses recognised in net result	(4 486)	(733)	-	(5 219)
(Losses) for the period recognised in other comprehensive income (OCI):				
Revaluation increments/(decrements)	(1 203)	-	-	(1 203)
Total (losses) recognised in OCI	(1 203)	-	-	(1 203)
Closing balance at 30 June 2019	232 434	28 251	70	260 755

11.3. Financial instruments

Financial risk management

Risk management is managed by the department's Corporate Services section. Departmental risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The department's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

The department is funded principally from appropriation by the SA Government. The department works with the Department of Treasury and Finance to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to notes 7.1 and 7.2 for further information.

Credit risk

The department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements relate to financial assets held by the department.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.3. Financial instruments (continued)

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss (ECL) using the simplified approach in AASB 9. The department uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the ECL, receivables are grouped based on shared risks characteristics and the days past due. When estimating ECL, the department considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the department's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating ECL is the maximum contractual period over which the department is exposed to credit risk.

The ECL of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

The following table provides information about the exposure to credit risk and ECL for non-government debtors. The department has grouped debtors into four distinct revenue streams that are processed using different systems. Mineral Tenements raised in the Tenements Management System (TMS) for fees prescribed under the *Mining Act 1971*, Petroleum licences raised in the Petroleum Exploration and Production System (PEPS) for fees prescribed under the *Petroleum and Geothermal Energy Act 2000*, Remote Area Energy Supply (RAES) managed by Cowell Electric and general invoices.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.3. Financial instruments (continued)

	Debtor gross carrying amount	Loss %	Lifetime expected losses
TMS	\$'000		\$'000
Current (not past due)	2 145	3.51	75
1 - 30 days past due	42	5.15	2
31 - 60 days past due	890	16.97	151
61 - 90 days past due	7	20.85	2
More than 90 days past due	245	22.84	56
Loss Allowance	3 329		286

	Debtor gross carrying amount	Loss %	Lifetime expected losses
PEPS	\$'000		\$'000
Current (not past due)	1 208	-	-
1 - 30 days past due	-	-	-
31 - 60 days past due	-	-	-
61 - 90 days past due	-	-	-
More than 90 days past due	-	-	-
Loss Allowance	1 208		-

	Debtor gross carrying amount	Loss %	Lifetime expected losses
General invoices	\$'000		\$'000
Current (not past due)	-	1.36	-
1 - 30 days past due	-	1.68	-
31 - 60 days past due	-	8.69	-
61 - 90 days past due	-	12.17	-
More than 90 days past due	112	13.09	15
Loss Allowance	112		15

	Debtor gross carrying amount	Loss %	Lifetime expected losses
RAES	\$'000		\$'000
Current (not past due)	9	2.54	-
1 - 30 days past due	56	4.52	3
31 - 60 days past due	1	16.51	-
61 - 90 days past due	-	31.49	-
More than 90 days past due	163	41.82	68
Loss Allowance	229		71

Total Loss Allowance			372
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Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.3. Financial instruments (continued)

Loss rates are based on actual history of credit loss. These rates have been adjusted to reflect differences between previous economic conditions, current conditions and the department's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result. Subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the department and a failure to make contractual payments for a period of greater than 90 days past due.

Receivables written off during the year are not subject to enforcement activity.

The department considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the ECL is nil.

All of the department's debt investments at amortised cost are considered to have low credit risk and the consideration of ECL was limited to 12 months expected losses. The ECL is nil.

Market risk

The department does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The department does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The department's interest bearing liabilities are managed through the South Australian Government Financing Authority (SAFA) and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Categorisation of financial instruments

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Classification of financial instruments

The department measures all financial instruments at amortised cost.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

11.3. Financial instruments (continued)

Category of financial asset and financial liability	Note	2020 Carrying amount / fair value \$'000	2020 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash	6.1	9 927	9 927	-	-
Loans and receivables	6.2	26 663	26 663	-	-
Total financial assets at amortised cost		36 590	36 590	-	-
Financial liabilities					
Payables	7.1	8 588	8 588	-	-
Other financial liabilities	7.2	432	220	212	-
Total financial liabilities at amortised cost		9 020	8 808	212	-

Category of financial asset and financial liability	Note	Carrying amount / Fair value \$'000	2019 Contractual maturities		
			Within 1 year \$'000	1-5 years	More than 5 years \$'000
Financial assets					
Cash	6.1	5 771	5 771	-	-
Loans and receivables	6.2	14 546	14 546	-	-
Total assets		20 317	20 317	-	-
Financial liabilities					
Payables	7.1	14 896	14 896	-	-
Total		14 896	14 896	-	-

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example Commonwealth, State and Local Government taxes, fees and charges, and Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contracts as enforceable by law. All amounts recorded are carried at amortised cost.

The receivable amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

12. Trust Fund

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund is credited with amounts by way of a royalty on extractive minerals and is used for the rehabilitation of land disturbed by extractive mining operations. The funds collected are used to limit damage to any aspect of the environment by such extractive mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

Aggregate details of the transactions and balances relating to this trust fund for year ended 30 June are as follows:

	2020	2019
	\$'000	\$'000
Income		
Royalties	2 945	3 207
Total income	<u>2 945</u>	<u>3 207</u>
Expenses		
Extractive Industries contribution	1 328	998
Rehabilitation costs	14	2
Other expenses	30	-
Total expenses	<u>1 372</u>	<u>1 000</u>
Net result	<u>1 573</u>	<u>2 207</u>

	2020	2019
	\$'000	\$'000
Current assets		
Cash	29 562	27 989
Total assets	<u>29 562</u>	<u>27 989</u>
Total liabilities	<u>-</u>	<u>-</u>
Net assets	<u>29 562</u>	<u>27 989</u>
Equity		
Transfer in as a result of restructure	-	25 782
Net Receipts	1 573	2 207
Retained earnings	27 989	-
Fund Balance at 30 June 2020	<u>29 562</u>	<u>27 989</u>

**Department for Energy and Mining
(DEM)**

Administered Financial Statements

For the year ended 30 June 2020

Department for Energy and Mining
Statement of Administered Comprehensive Income
for the year ended 30 June 2020

	2020	2019
	\$'000	\$'000
<u>Administered income</u>		
Appropriation	403	380
Royalties	311 997	299 418
Other income	7 163	6 514
Total administered income	319 563	306 312
<u>Administered expenses</u>		
Employee benefits expenses	403	393
Payment of royalties to the Consolidated Account	311 997	299 418
Other expenses	7 163	6 497
Total administered expenses	319 563	306 308
Net Result	-	4
Total comprehensive result	-	4

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Statement of Administered Financial Position
as at 30 June 2020

	2020	2019
	\$'000	\$'000
<u>Administered current assets</u>		
Cash	24 126	20 117
Receivables	28	2 571
Total current assets	24 154	22 688
Total assets	24 154	22 688
<u>Administered current liabilities</u>		
Payables	24 307	22 841
Other	3	3
Total current liabilities	24 310	22 844
Total liabilities	24 310	22 844
Net assets	(156)	(156)
<u>Administered equity</u>		
Retained earnings	(156)	(156)
Total equity	(156)	(156)

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Statement of Administered Cash Flows
for the year ended 30 June 2020

	2020 (Outflows) Inflows \$'000	2019 (Outflows) Inflows \$'000
<u>Cash flows from operating activities</u>		
<i><u>Cash inflows</u></i>		
Appropriation	403	380
Royalties receipts	314 540	302 664
Other receipts	7 163	6 514
Cash generated from operations	322 106	309 558
<i><u>Cash outflows</u></i>		
Employee benefits expenses	(403)	(393)
Other payments	(7 847)	(6 815)
Payment of royalties to the Consolidated Account	(309 847)	(309 341)
Cash (used in) operations	(318 097)	(316 549)
Net cash (used in) operating activities	4 009	(6 991)
<u>Cash flows from financing activities</u>		
<i><u>Cash inflows</u></i>		
Cash received from restructure activities	-	27 108
Cash generated from financing activities	-	27 108
Net cash generated from financing activities	-	27 108
Net increase in cash	4 009	20 117
Cash at the beginning of the period	20 117	-
Cash at the end of the period	24 126	20 117

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

	Ministers' Salary		Total	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<u>Administered Income</u>				
Appropriation	403	380	403	380
Royalties	-	-	311 997	299 418
Other income	-	-	7 163	6 514
Total administered income	403	380	319 563	306 312
<u>Administered Expenses</u>				
Employee benefits	403	393	403	393
Payment of royalties to the Consolidated Account	-	-	311 997	299 418
Other expenses	-	-	7 163	6 497
Total administered expenses	403	393	319 563	306 308
Net result	-	(13)	-	4

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A1 Basis of preparation and accounting policies

The department applies the same accounting policies to the administered financial statements as set out in the notes to the department's financial statements.

A2 Objectives / activities of the department's administered items

The department's administered items are structured to contribute to three main activities:

Royalties

The department received royalties levied on minerals and petroleum production on behalf of the State Government. Royalty receipts are collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum and Geothermal Energy Act 2000*. Royalty receipts are returned to the Consolidated Account in the month following collection.

Native Title Agreement

The department collects revenue via a levy equivalent to 10% of the total royalty payable for relevant royalty payers. This is offset by payments made to two Aboriginal Councils in the APY Lands.

Mintabie Administration

The Mintabie Township Lease and Lease Agreement came into operation on 1 July 2012. The department administered the residential campsite licencing system and regulation. The lease was terminated with effect from 30 June 2019.

A3 Change to the department's administered items

There were no changes to the department's administered items in year ended 30 June 2020

A4 Impact of COVID-19 pandemic on the department's administered items

Royalties' revenue has been maintained in 2020 as a result of strong commodities pricing in the first half of the year. The worldwide impacts of COVID-19 contributed to a fall in oil prices to a 20 year low, however, mineral royalties have been less affected as iron ore pricing has remained strong. Forecasts for royalties show a consistent level of growth, although at lower levels than pre COVID-19.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2020

A5 Budget performance

The budget performance table compares the departments outcomes against budget information presented to Parliament (2019-20 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

	Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Statement of Comprehensive Income			
<u>Administered Income</u>			
Appropriation	398	403	(5)
Royalties	300 072	311 997	(11 925)
Other income	6 032	7 163	(1 131)
Total administered income	306 502	319 563	(13 061)
<u>Administered Expenses</u>			
Employee benefits	398	403	(5)
Payment of royalties to the Consolidated Account	300 072	311 997	(11 925)
Other expenses	6 032	7 163	(1 131)
Total administered expenses	306 502	319 563	(13 061)
Net result	-	-	-
Total comprehensive result	-	-	-